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Effective Date _____ Code Number _____

Name of Agency Arkansas Department of Higher Education

Department Financial Aid

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Rule Title: Arkansas Academic Challenge Scholarship

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Electronic Copy of Rule e-mailed from: (Required under ACA 25-15-218)

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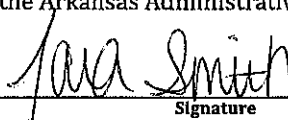
Contact Person

E-mail Address

Date

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with the Arkansas Administrative Act. (ACA 25-15-201 et. seq.)



Signature

501-371-2026

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Phone Number

E-mail Address

Deputy Director

Title

11/9/2017

Date



Financial Aid

Arkansas Academic Challenge Scholarship Program

Policy Statement

These rules shall be known as the Arkansas Department of Higher Education Rules Governing the Arkansas Academic Challenge Scholarship Program. This policy addresses the student eligibility criteria, method for recipient selection, continuing eligibility requirements, procedures for making payments to an approved institution of higher education, and other administrative procedures necessary for operation of the program.

Applicable Arkansas Code

Ark. Code Ann. 6-85-202 ET. Seq.

Applicability

This rule is applicable to students who apply for a scholarship under the Arkansas Academic Challenge Scholarship Program for the academic year 2010-2011 and each academic year thereafter. Recipients of Arkansas Governor's Distinguished Scholarships are prohibited from receiving Arkansas Academic Challenge Scholarships.

Definitions

- (1) "Academic Year" means fall, spring, first and second summer semesters in that order, or as defined by the Department of Higher Education;
- (2) "ACT" means the ACT Assessment administered by ACT, Inc.;
- (3) "ACT equivalent" means the Scholastic Aptitude Test (SAT), COMPASS, Accuplacer, Asset or other nationally normed test that is correlated with the ACT and approved by the Department of Higher Education for use by institutions of higher education to assess a person's college readiness;
- (4) "Approved institution of higher education" means an institution of higher

education approved by the Department of Higher Education to participate in the Arkansas Academic Challenge Scholarship Program -- Part 2 and that is:

- (A)** A state-supported two-year or four-year college or university;
 - (B)** A private, nonprofit two-year or four-year college or university with its primary headquarters located in Arkansas that is eligible to receive Title IV federal student aid funds; or
 - (C)** An approved school of nursing, subject to the provisions of § 6-85-213(c);
- (5)** "Approved school of nursing" means a school of nursing with its primary headquarter located in Arkansas that:
- (A)** Prepares students as registered nurses;
 - (B)** Grants nursing diplomas;
 - (C)** Is eligible to participate in the Higher Education Act of 1965, Title IV federal student aid programs;
 - (D)** Is approved by the Arkansas State Board of Nursing;
 - (E)** Has been approved by the Department of Higher Education as eligible to participate in the Arkansas Academic Challenge Scholarship Program; and
 - (F)** Is not a two-year or four-year college or university;
- (6)** "Arkansas resident" means a natural person who provides evidence deemed sufficient by the Department of Higher Education that:
- (A)** For the twelve-month period required under basic eligibility requirements the person:
 - (i)** Maintained a permanent home in Arkansas where the person resides for an average of no less than four (4) days and nights per calendar week; and
 - (ii)** Either:
 - (a)** Is an Arkansas registered voter;
 - (b)** Holds a valid Arkansas motor vehicle driver's license;
 - (c)** Receives benefits under an Arkansas public assistance program;

(d) Uses an Arkansas residence address for federal or state tax purposes; or

(e) Claims Arkansas as a residence to hold public office or for judicial actions; or

(B) Before the deadline for filing a scholarship application under this rule the applicant:

(i) Is on active military status;

(ii) Qualifies for in-state tuition and fees if the student is a:

(1) Veteran who was discharged or released from a period of not less than ninety (90) days of active duty in the military, naval, or air service within three (3) years before the date of enrollment in a program of study;

(2) Dependent of a veteran under subdivision (1) of this section;

(3) Member of the armed forces; or

(4) Spouse of a member of the armed forces and,

(iii) Meets one (1) of the conditions under subdivision (6)(A)(ii) of this section;

(7) "Continuously enrolled" means:

(A) For a traditional student, he or she successfully completes at an approved institution of higher education twenty-seven (27) semester hours in the first academic year as a recipient and, except while the recipient is enrolled as a part-time student if the recipient is enrolled in the number of credit hours necessary to complete the recipient's degree program, successfully completes thirty (30) semester hours each academic year thereafter;

(B) For a full-time nontraditional student, he or she successfully completes at an approved institution of higher education at least fifteen (15) semester hours of courses in consecutive semesters;

(C) For a part-time nontraditional student, he or she successfully completes at an approved institution of higher education at least six (6) semester hours of courses in consecutive semesters; and

(D) For a student who is enrolled in a degree plan that has a maximum number of semester hours in a semester that is less than the requirements of subdivisions (7)(A)-(C) of this section, he or she successfully completes at an approved institution of higher education the maximum number of hours

required by the degree plan for the semester;

(8) "Cost of attendance" means the recognized cost of attendance of an institution of higher education calculated under rules established by the Department of Higher Education;

(9) "Full Time Student" means a student enrolled in at least twenty-seven (27) semester hours the first academic year and thirty (30) semester hours per academic year thereafter or the equivalent, as described in this rule, or the equivalent as defined by the Department of Higher Education;

(10) "End-of-course assessment" means an examination taken at the completion of a course of study to determine whether a student demonstrates attainment of the knowledge and skills necessary for mastery of that subject;

(11) "Enrolled" means that the approved institution of higher education where the student is attending class counts the student as enrolled for the hours claimed on the last day to add or drop a class at the approved institution of higher education;

(12) "High school equivalency test" means a test measuring the knowledge and skills usually learned in high school that is administered by a state-approved institution or organization;

(13) "High school grade point average" means the numbered grade average on a student's high school transcript calculated:

(A) For a traditional student, using the first seven (7) of the last eight (8) semesters the student completed prior to graduating high school; or

(B) For a nontraditional student, using the last eight (8) semesters the student completed before graduating high school;

(14) "Incarcerated" means a person who has been convicted of a crime and is imprisoned for that crime or is being held in custody for trial or sentencing. Incarceration will result in applicant or recipient being ineligible for the Academic Challenge Scholarship;

(15) "Lawful permanent resident" means a non-United States citizen who resides in the United States under a legally recognized and lawfully recorded permanent residence and who may receive state public benefits under 8 U.S.C. § 1622;

(16) "Nontraditional student" means a student who is not a traditional student;

(17) "Personally identifiable student data" means any information that, alone or in combination with other available information, is linked or linkable to a specific student that would allow a reasonable person in the student's school community to identify the student with reasonable certainty;

(18) "Postsecondary grade point average" means the cumulative numbered grade average for college credit courses as calculated using a 4.0 scale;

(19) "Qualified certificate program" means a program:

- (A)** That is offered by an approved institution of higher education;
- (B)** For which credit hours are awarded that are creditable toward an associate degree or baccalaureate degree; and
- (C)** Recognized by the United States Department of Education for financial aid purposes;

(20) "Recipient" means an applicant awarded a scholarship funded through the program;

(21) "Scholarship hold" means the temporary suspension of a scholarship award to a traditional student under this rule approved by the Department of Higher Education under § 6-85-221;

(22) "Semester" means one-half (1/2) of a traditional academic year at an institution of higher education, or an equivalent approved by the Department of Higher Education, in which a student enrolls for not less than:

- (A)** Fifteen (15) credit hours as a full-time student, except that in the first semester as a first-time full-time freshman, a traditional student shall enroll in not less than twelve (12) credit hours; or
- (B)** Six (6) credit hours as a part-time student;

(23) "Smart Core" means:

- (A)** The college and career readiness curriculum by that name under rules of the State Board of Education; or
- (B)** A college and career readiness curriculum that is:
 - (i)** Established by rules of the state board in coordination with the Department of Higher Education; and
 - (ii)** Substituted for the curriculum named "Smart Core";

(24) "State-supported student financial assistance" means a state-supported scholarship, grant, tuition waiver, or tuition reimbursement funded with state funds or net proceeds from the state lottery awarded by:

(A) The Department of Higher Education; or

(B) A scholarship or grant awarded by an institution of higher education in this state in whole or in part by state funds, including without limitation:

(i) Scholarships awarded on the basis of entrance exam scores or high school academic achievement;

(ii) Tuition waivers based on age, military service, occupation, or other factors;

(iii) Out-of-state tuition waivers for undergraduate students from contiguous states in close proximity to a college or university;

(iv) Scholarships for transfers from two-year institutions;

(v) Performance scholarships for band, musical performing groups, arts, theater, forensics, and similar activities that are not awarded on the basis of entrance exam scores or high school academic achievement; and

(vi) Any other publicly funded program under which students are not charged or are reimbursed by the institution of higher education for tuition, fees, books, or other costs of attendance;

(25) "Successfully completed" means that a student completed a course at an institution of higher education and received the equivalent of a minimum letter grade of "D";

(26) (A) "Traditional student" means a student who:

(i) Will enter postsecondary education as a full-time first-time freshman on or before the fall semester of the academic year that begins immediately following:

(a) The student's graduation from high school; or

(b) The last day of the school year:

(1) That would have been the student's junior or senior year of high school; and

(2) In which the student completes the requirements for high school graduation and obtains a General Educational Development certificate instead of receiving a diploma; and

(ii) Remains continuously enrolled as a full-time student;

(B) "Traditional student" includes a student who otherwise meets this definition but delays entering postsecondary education under a scholarship hold approved by the Department of Higher Education.

Procedures

Basic Eligibility Requirements.

The basic requirements for an applicant to be eligible for an award from the Arkansas Academic Challenge Scholarship Program are:

- (1)** **(A)** The applicant has been an Arkansas resident for at least the twelve (12) months immediately preceding the date the applicant will enroll in an approved institution of higher education.

(B) If the applicant is less than twenty-one (21) years of age, either the applicant or a parent or guardian of the applicant shall have maintained Arkansas residency for at least the twelve (12) months immediately preceding the date the applicant will enroll in an approved institution of higher education.

(C) **(i)** To be considered an Arkansas resident, an applicant shall demonstrate residency by evidence deemed sufficient to the Department of Higher Education.

(ii) Evidence of residency may include without limitation information provided by the applicant on the Free Application for Federal Student Aid or a subsequent application required by the United States Department of Education for federal financial aid.

(D) During the twelve (12) months immediately preceding the date an applicant will enroll in an approved institution of higher education if the person for whom the twelve-month period is calculated under subdivision (1)(A) or (1)(B) of this section is deployed outside of Arkansas under military orders, the Department of Higher Education shall calculate the twelve (12) months by:
 - (i)** Excluding months of military deployment outside of Arkansas that are within the twelve (12) months immediately preceding the date the applicant will enroll in an approved institution of higher education; and
 - (ii)** Including months the person maintained Arkansas residency immediately preceding the military deployment outside of Arkansas;
- (2)** The applicant is a citizen of the United States or is a lawful permanent resident;
- (3)** **(A)** The applicant is accepted for admission as a full-time student or part-time student at an approved institution of higher education in a program of study

that leads to or is creditable toward:

- (a)** A baccalaureate degree;
 - (b)** An associate degree;
 - (c)** A certificate from a qualified certificate program; or
 - (d)** A graduate-level or professional degree; or
- (ii)** An approved school of nursing in a program of study that leads to a nursing diploma under § 6-85-213.
- (B)** A full-time student shall enroll in at least twenty-seven (27) semester hours the first academic year and thirty (30) semester hours per academic year thereafter or the equivalent, as described in this rule, or the equivalent as defined by the Department of Higher Education.
- (C)** A part-time student shall complete at least six (6) semester hours but less than the minimum number of semester hours for a full-time student, as defined by the Department of Higher Education.
- (4)** The applicant has not met the maximum continuing education eligibility requirements under § 6-85-210;
- (5)** The applicant does not owe a refund on a federal or state student financial aid grant for higher education;
- (6)** The applicant is not in default on a state or federal student financial aid loan for higher education;
- (7)** The applicant has not borrowed, as determined by the approved institution of higher education to be attended, in excess of the annual loan limits under the Federal Family Educational Loan Program Systems, William D. Ford Federal Direct Loan Program, Income Contingent Loan Demonstration Program, Stafford Loan Program, Parent Loan for Undergraduate Students Program, or Supplemental Loan for Students Program in the same academic year for which the student has applied for assistance under this rule;
- (8)** The applicant is not incarcerated at the time of the application for or during the time the applicant receives a scholarship under this rule;
- (9)** The applicant has complied with United States Selective Service System requirements for registration;
- (10)** The applicant has completed and submitted to the United States Department of Education a Free Application for Federal Student Aid or a

subsequent application required by the United States Department of Education for federal financial aid; and

(11) The applicant certifies that he or she is drug-free and pledges in writing on the application form to refrain from the use or abuse of illegal substances in order to become eligible and maintain eligibility for this program.

Additional Eligibility Requirements for Traditional Students.

In addition to the basic eligibility requirements an applicant is eligible as a traditional student if the applicant:

(1) Graduated from an Arkansas public high school and has a minimum composite score of nineteen (19) on the ACT or the equivalent score on an ACT equivalent;

(2) Has a disability identified under the Individuals with Disabilities Education Act, 20 U.S.C. § 1400 et seq., as it existed on July 1, 2009, and graduated from an Arkansas public high school, and either:

(A) Had a minimum composite score of nineteen (19) on the ACT or the equivalent score on an ACT equivalent; or

(B) Scored proficient or higher on all state-mandated end-of-course assessments, including without limitation end-of-course assessments on:

(i) Algebra I;

(ii) Geometry;

(iii) Biology; and

(iv) Literacy; or

(3) Achieved a minimum composite score of nineteen (19) on the ACT or the equivalent score on an ACT equivalent; and

(A) Graduated from a private high school, an out-of-state high school, or a home school high school; or

(B) In the year in which the student would have been a junior or senior in high school, completed the requirements for high school graduation and obtained a high school equivalency diploma approved by the Department of Career Education instead of receiving a diploma; or

(4) Meets the following criteria;

- (A)** Was enrolled at an institution of higher education in the immediately preceding academic year as a full-time, first-time freshman;
- (B)** Did not receive a scholarship under this rule as a first-time, full-time freshman;
- (C)** Successfully completed at least twenty-seven (27) semester hours of courses as a full-time, first-time freshman; and
- (D)** Achieved a postsecondary grade point average of at least 2.5 on a 4.0 scale as a full-time, first –time freshman.

Additional eligibility requirements for a nontraditional student.

In addition to the basic eligibility requirements an applicant is eligible as a nontraditional student if the applicant meets one (1) of the following requirements:

(1) If the applicant has not been enrolled in an approved institution of higher education, has either:

- (A)** Graduated from an Arkansas public high school and achieved a 2.5 high school grade point average; or
- (B)** Graduated from an Arkansas public high school, a private high school, an out-of- state high school, a home school high school, or obtained a high school equivalency diploma approved by the Department of Career Education and had a minimum composite score of nineteen (19) on the ACT or the equivalent score on an ACT equivalent; or

(2) If the applicant has been enrolled in an approved institution of higher education, has earned a postsecondary grade point average of at least 2.5.

Continuing eligibility.

(a) (1) (A) A recipient who meets continuing eligibility criteria under this rule shall receive a scholarship for one (1) academic year renewable annually until the recipient has earned one hundred twenty (120) semester credit hours.

(B) A recipient may continue to receive a scholarship after he or she has earned one hundred twenty (120) semester credit hours, but not more than one hundred thirty (130) semester credit hours, if the student is enrolled in a baccalaureate degree program that requires more than one hundred twenty (120) semester credit hours as provided under § 6-61-232.

(1) A semester in which a student withdraws or fails to complete the number of credit hours for which the student first enrolled is counted toward the maximum number of semesters for which the student may receive a scholarship award under this rule.

(2) The maximums under this subsection apply to any degree program, regardless of whether or not the degree program requires additional semesters.

(3) A recipient may attend summer terms at the student's own expense to earn credit hours necessary to maintain eligibility for a scholarship under this rule.

(b) To maintain eligibility for an Arkansas Academic Challenge Scholarship under this rule, a recipient shall meet the following requirements:

(1) A recipient shall continue to meet the eligibility requirements of this rule while a recipient of a scholarship under this rule;

(2) (A) (i) A recipient shall meet the satisfactory academic progress standards required to receive other financial aid at the approved institution of higher education where the recipient is enrolled, as determined by the Department of Higher Education in conjunction with the institution of higher education where the recipient is enrolled.

(ii) (a) A recipient who does not successfully complete any credit hours toward degree completion in a semester in which he or she received a scholarship under this rule immediately forfeits the remainder of the scholarship award for that academic year.

(b) The department shall notify the recipient of the loss of eligibility under this subdivision.

(iii) By accepting scholarship funds under this rule, the receiving institution certifies that students will be enrolled in courses that will meet satisfactory academic progress standards leading toward a certificate, an associate degree, a nursing diploma, a baccalaureate degree, or a graduate-level or professional degree.

(B) The department may approve a leave of absence for a reason that includes without limitation:

(i) A medical condition of the student or a member of the student's immediate family that, on the basis of a physician's good-faith judgment, necessitates the student or the student's immediate family member to be hospitalized or receive outpatient or home-based medical care or recuperation until released by the attending physician;

(ii) A personal or family emergency that requires the student to:

(a) Attend the funeral of an immediate family member; or

(b) Visit a relative of the student if the relative has a medical condition in which death is possible or imminent;

(iii) Military service under § 6-61-112;

(iv) (a) A commitment for twelve (12) to twenty-four (24) months of service in a national or international humanitarian project sponsored by a nonprofit corporation organized with a charitable or educational purpose.

(b) The student's commitment shall be expressed in a written agreement with the nonprofit organization including the terms of completion for the student's service on the related project;

(c) The department shall release a scholarship hold if the department determines that the student did not complete the commitment under the written agreement; or

(v) Any other reason approved by the department;

(3) A recipient who enrolls in one (1) or more remedial courses shall complete all remedial courses required by the approved institution of higher education by the time the student completes the first thirty (30) semester hours attempted after receiving the scholarship;

(4) A recipient shall earn a postsecondary grade point average of 2.5 or higher at an approved institution of higher education;

(5) A recipient shall enroll in courses that lead toward a baccalaureate degree or graduate-level or professional degree after attempting the lesser of:

(A) Five (5) semesters; or

(B) The completion of an associate degree program; and

(6) A recipient shall meet any other continuing eligibility criteria established by the Department of Higher Education.

(c) (1) A traditional student recipient who loses eligibility for a scholarship may apply as a first-time nontraditional student.

(2) A recipient under subdivision (c)(1) of this section who loses eligibility for the nontraditional student scholarship is not eligible to

apply for a scholarship under any eligibility provision of this rule.

- (d) If a recipient is subject to losing a scholarship under subsection (c) of this section due to a catastrophic event experienced by the recipient or a family member of the recipient, the department may waive the requirements of this section and determine the appropriate requirements for the recipient to either retain or regain the scholarship.

Literacy tutoring.

- (a) As an additional component to the Arkansas Academic Challenge Scholarship Program:

- (1) Each applicant for the scholarship shall agree that for each year the scholarship is awarded he or she may volunteer to serve as a literacy tutor for a minimum of twenty (20) clock hours each semester in a public school or a faith-based educational institution serving students in prekindergarten through grade six (preK-6);

- (2) A recipient who agrees to volunteer as a literacy tutor:

- (A) Shall complete the prerequisite training in literacy and college readiness skills provided under this section before he or she begins tutoring; and

- (B) May receive college credit for the tutoring as determined by the institution of higher education where the recipient is enrolled; and

- (3) An enrolled college student who participates in the tutorial program and fails to meet the academic eligibility requirement under this rule for the fall or spring semester shall be given the probationary opportunity during the subsequent spring or summer term to continue his or her education and improve academic performance before losing scholarship funding in the subsequent semester.

- (b) A recipient who agrees to volunteer as a literacy tutor under this section shall receive the prerequisite training in literacy and college readiness from an approved institution of higher education based on training modules developed by the Department of Education.

Scholarship award amounts.

- (a) The General Assembly may use net proceeds from the state lottery to fund the scholarships awarded under this rule and to supplement the state-supported student financial assistance that the General Assembly determines is necessary to meet the state's objective for broadening and increasing access of Arkansas citizens to higher education.

- (b)** Net proceeds from the state lottery used to fund scholarships under this rule shall:
- (1)** Be used exclusively for the purposes set out in Arkansas Constitution, Amendment 87, and this rule; and
 - (2)** Supplement and shall not supplant nonlottery state educational resources.
- (c)** It is the General Assembly's intent that before increasing award amounts for scholarships under this rule, the number of scholarships awarded to nontraditional students under § 6-5-208 be increased.
- (d)** The scholarships established under this rule are subject to available funding and do not create for any student an entitlement to financial assistance to enable the student's attendance at an approved institution of higher education.
- (e) (1) (A)** Beginning with the 2016-2017 academic year, the scholarship award amount under this rule for an academic year for a full-time recipient enrolled in a four-year approved institution of higher education is:
- (i)** One thousand dollars (\$1,000) for a recipient who has earned less than twenty-seven (27) semester credit hours;
 - (ii)** Four thousand dollars (\$4,000) for a recipient who has earned at least twenty- seven (27) semester credit hours but less than fifty-seven (57) semester credit hours;
 - (iii)** Four thousand dollars (\$4,000) for a recipient who has earned at least fifty- seven (57) semester credit hours but less than eighty-seven (87) semester credit hours; and
 - (iv) (a)** Five thousand dollars (\$5,000) for a recipient who has earned at least eighty-seven (87) semester credit hours but no more than one hundred twenty (120) semester credit hours, unless the recipient is enrolled in a baccalaureate degree program that requires more than one hundred (120) semester credit hours, but not more than one hundred thirty (130) semester credit hours, as provided under § 6-61-232, then up to the number of credit hours required to complete the baccalaureate program.
- (b)** A recipient shall receive no more than one (1) year of the scholarship provided under subdivision (e)(1)(A)(iv)(a) of this section unless the recipient is enrolled in a baccalaureate degree program that requires more than one hundred (120) semester credit hours as provided under § 6-61-232.
- (c) (1)** A recipient who is eligible to receive the scholarship under subdivision (e)(1)(A)(iv)(a) of this section may receive the scholarship while enrolled in a semester as a part-time student if the recipient is enrolled in the number of credit hours necessary to complete the recipient's degree program.

(2) The scholarship amount for the semester in which a recipient is enrolled as a part-time student under subdivision (e)(1)(A)(iv)(c)(1) of this section shall be prorated by the number of credit hours in which the recipient is enrolled.

(B) The Department of Higher Education shall not accept new applications for scholarships for current achiever students under § 6-85-209 after June 1, 2012.

(C) (i) To determine the correct scholarship award amount based on credit hours, a first-time recipient shall submit a current college or university transcript if the first-time recipient has earned any semester credit hours to the Department of Higher Education no later than a date determined by the department prior to the academic year for which the first-time recipient will receive an initial scholarship award.

(ii) A first-time recipient who does not submit a transcript to the department on or before the date determined by the department shall receive the award amount under subdivision (e)(1)(A)(i) of this section.

(D) (i) An Applicant may elect for the earned semester credit hours under subdivision (e)(1)(A) of this section to be only those semester credit hours earned after graduating from high school or obtaining a high school equivalency diploma approved by the Department of Career Education.

(ii) If the applicant makes the election under subdivision (e)(1)(D)(i) of this section, any semester credit hours earned through concurrent credit or any other method before graduating high school or obtaining a high school equivalency diploma approved by the Department of Career Education shall not be counted as earned semester credit hours for the purposes of determining a recipient's scholarship award amount under subdivision (e)(1)(A) of this section.

(2) (A) Beginning with the 2017-18 academic year, the department shall award an aggregate amount of scholarship awards to nontraditional students of up to twelve million (\$12,000,000).

(B) (i) The department shall return to the Office of the Arkansas Lottery the excess funding, if any, for scholarship awards the department received under § 23-115-801.

(ii) The office shall deposit any funds received from the department under this subdivision (e)(2)(B) into a trust account established under § 23-115-801(b).

(C) Priority for scholarships awarded to nontraditional students is based on:

- (i) The applicant's level of progress toward completion of a certificate, an associate degree, a nursing diploma, a baccalaureate degree, or a graduate-level or professional degree; or
 - (ii) Other criteria established by the Department of Higher Education.
- (3) The scholarship award for an academic year for a full-time student enrolled in one (1) of the following institutions of higher education is one thousand dollars (\$1,000) for the first year and three thousand dollars (\$3,000) for the second year:
 - (A) A two-year approved institution of higher education;
 - (B) A branch campus of a four-year approved institution of higher education; or
 - (C) An approved nursing school.
- (4) The scholarship award amount for a part-time student recipient shall be:
 - (A) One-half (1/2) of the award amount for a full-time student recipient, if the recipient is enrolled in at least six (6) semester hours but less than nine (9) semester hours; or
 - (B) Three-quarters (3/4) of the award amount for a full-time student recipient, if the recipient is enrolled in at least nine (9) semester hours but less than the number of hours required for a full-time student recipient.
- (5) A current recipient who maintains eligibility for the scholarship under this rule shall continue to receive the scholarship award amount first awarded to the recipient.
- (6) The department shall give priority for a scholarship award to a full-time or part-time student:
 - (A) Who meets the eligibility requirements under this rule; and
 - (B) Whose parent, by birth or legal adoption:
 - (i) Was a resident of the State of Arkansas at the time that person entered the service of the United States Armed Forces or whose official residence is in Arkansas; and
 - (ii) Was a member of the United States Armed Forces who was killed while performing military duty:
 - (a) In a status identified under 32 U.S.C. § 101 et seq. or 10 U.S.C. § 101 et seq. as they existed on January 1, 2011; or

(b) In state active duty status.

(f) Annually by December 15, the Legislative Council shall provide to the General Assembly its recommendations for any changes to the:

(1) Award amounts;

(2) Number or type of scholarships; and

(3) Eligibility requirements.

(g) It is the intent of the General Assembly that in determining award amounts under this rule the General Assembly will consider whether sufficient funds will be available to pay for scholarship awards through the anticipated completion of the degree or certificate a recipient is seeking.

(h) All awards under this subchapter are subject to the prohibition under § 6-80-105 against using public funds in a student financial package in excess of the recognized cost of attendance at the institution where the student is enrolled.

(i) (1) If the department has less than a sufficient amount from net proceeds from the state lottery to provide for the scholarship commitments under this rule, the department shall give priority for continued financial support under this rule to a student with continuing eligibility superior to first-time applicants.

(2) If the funding is insufficient to fully fund the scholarships for students with continuing eligibility created under this rule, the department shall award scholarships based upon the following criteria to students with continuing eligibility as follows:

(A) First, to students who have the highest level of progress toward completion of a certificate, an associate degree, a baccalaureate degree, or a graduate-level or professional degree, and who are enrolled in a program of study that is:

(i) In an area of critical workforce need as determined by the department; or

(ii) In a science, technology, engineering, or mathematics field;

(B) Second, to students who have the highest level of progress toward completion of a certificate, an associate degree, or a baccalaureate degree, or a graduate-level or professional degree, and who are enrolled in a program of study other than those listed in subdivision (i)(2)(A) of this section; and

(C) Last, in the event funding is insufficient to fully fund students under subdivision (i)(2)(A) or (i)(2)(B) of this section, to students who have the highest postsecondary grade point average.

(3) (A) If after funding all students with continuing eligibility under this section

funding is insufficient to fund all qualified first-time applicants, the department shall award scholarships to first-time applicants in order of priority based upon the applicants' highest ACT or ACT equivalent scores.

(B) If after prioritizing first-time applicants based upon the applicants' ACT or ACT equivalent scores funding is insufficient to fund all applicants with like ACT or ACT equivalent scores, the department shall determine who receives an award by random drawing.

Payments of Scholarships.

(A) The Arkansas Department of Higher Education shall disburse scholarships to the approved institution of the student's choice. The Arkansas Department of Higher Education shall send funds to the institution via electronic funds transfer or state warrant. After verification of full-time enrollment, the institution will disburse the scholarship to the student according to the institution's disbursement procedures. The scholarship payment will correspond to academic terms, semesters, quarters, or equivalent time periods at the eligible institution. In no instance may the entire amount of the scholarship disbursement for an educational year be paid to or on behalf of such student in advance.

(B) Transfer of Scholarships to another Approved Institution

A recipient who has received an Academic Challenge Scholarship may transfer the scholarship to another approved Arkansas institution of higher education, provided that:

1. The student notifies the Arkansas Department of Higher Education of the change of status by October 1 for the fall term and by February 1 for the winter and/or spring terms by changing the college on the student's ADHE YOUiversal financial aid account;

(C) Repayment of Scholarships

If the recipient of a scholarship withdraws, drops out, or is expelled on or after the first day of class of a payment period, the institution will determine whether the student received an overpayment of financial aid funds for non-institutional expenses. Overpayment is the difference between the amount received as cash disbursements and the amount incurred for non-institutional costs during the portion of the payment period that the student was actually enrolled. It is the institution's responsibility to contact students and recover overpayments.

(D) Refunds

The Arkansas Academic Challenge Scholarship Program is entitled to a refund of the scholarship or loan amount, for that semester, if the recipient of a scholarship or

loan withdraws, drops out, or is expelled on or after his or her first day of class of the payment period and the situation falls under the refund policy of the institution. The institution shall pay the refund to the Arkansas Department of Higher Education.

(E) Overpayment

If the award of an Arkansas Academic Challenge Scholarship results in an overpayment to the student according to the state law (Arkansas Code § 6-80-105) governing the stacking of scholarships, the institution shall follow the ADHE Stacking policy in reducing the student's financial package to prevent the student from receiving funds above the federally recognized cost of attendance.

Institutional Responsibilities.

I. College/University Responsibilities

A. Administrative Agreement

The chief executive officer of the eligible institution is responsible for appointing one representative from the financial aid office to act as administrator of the Arkansas Academic Challenge Scholarship Program and to receive all communications, forms, etc. This representative is responsible for verification, data and compliance with all program rules and regulations. The institution must comply with all rules and regulations in order to maintain continued eligibility status.

B. Disbursement Records

The institution shall maintain information on the student indicating disbursement of scholarship funds.

C. Institutional Verification

The institution shall provide certification of full-time enrollment and enrollment in courses that will meet satisfactory academic progress standards, as of the eleventh day of classes, by completing a Verification Roster each semester after registration. The Verification Roster is an alphabetical listing by institution of all persons receiving the award for a given academic term. The certifying official is responsible for completing

the verification rosters each semester or trimester. The Arkansas Department of Higher Education shall provide electronic Verification Rosters to the Financial Aid Administrator for each semester or trimester as needed. The electronic Verification Rosters shall be returned to the Arkansas Department of Higher Education by

November 1 for the fall term and by March 15 for the spring term. Students who are enrolled less than full-time in the current term shall not receive scholarship benefits in that term. The Arkansas Department of Higher Education shall also provide electronic continuing eligibility rosters to the Financial Aid Administrator before the end of the spring term. The continuing eligibility rosters shall be returned to the Arkansas Department of Higher Education no later than June 1 to ensure that adequate time is provided to notify students of their status in the program.

D. Deadlines for Disbursement of Funds

The deadline for disbursement of funds is no later than 10 days after receipt of funds. Any outstanding funds not disbursed by these dates must be returned to the Arkansas Department of Higher Education. For those students whose applications are received by ADHE too late to allow disbursement by these dates, disbursement will be made within 10 working days of receipt of the verification roster and electronic transfer of funds.

E. Due Diligence

The institution will exercise due diligence in providing complete, accurate, and timely information as requested by the Arkansas Department of Higher Education on any Arkansas Academic Challenge Scholarship recipient or former recipient. In addition, the institution will exercise due diligence in complying with all the rules and regulations of the Arkansas Academic Challenge Scholarship Program. The Arkansas Department of Higher Education shall periodically review the institution's records concerning this program in an effort to exercise its due diligence requirements as a steward of state funds.

II. Recipient's Responsibilities

It is the recipient's responsibility to notify the Arkansas Department of Higher Education of any change in status within 21 days. This will include:

- Change in name
- Change in address
- Change in institution
- Change in full-time status (twelve college credit hours for those students who are in their first fall semester following high school graduation, fifteen college credit hours for those students who are beyond the first fall semester following high school graduation)

Failure to notify the Arkansas Department of Higher Education of a change of status may affect future eligibility.

Scholarship hold.

(a) (1) The Department of Higher Education may approve a scholarship hold for a traditional student for a period of twenty-four (24) months or less.

(2) The reasons for a scholarship hold may include without limitation:

(A) A medical condition of the student or a member of the student's immediate family that, on the basis of a physician's good-faith judgment, necessitates the student or the student's immediate family member to be hospitalized or receive outpatient or home-based medical care or to recuperate until released by the attending physician;

(B) A personal or family emergency that requires the student to:

(i) Attend the funeral of an immediate family member; or

(ii) Visit a relative of the student if the relative has a medical condition in which death is possible or imminent;

(C) Military service under § 6-61-112; or

(D) (i) A commitment of twelve (12) to twenty-four (24) months for service in a national or international humanitarian project sponsored by a nonprofit corporation organized with a charitable or educational purpose.

(ii) The student's commitment shall be expressed in a written agreement with the nonprofit organization including the terms of completion for the student's service on the related project.

(iii) The department shall release a scholarship hold if the department determines that the student did not complete the commitment under the written agreement.